LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
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FISCAL IMPACT STATEMENT

LS 6244
BILL NUMBER: SB 311

DATE PREPARED: Nov 15, 2001
BILL AMENDED:

SUBJECT: Firefighting Equipment and Grants.

FISCAL ANALYST: Valerie Ruda
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FUNDS AFFECTED: **GENERAL**
<u>X</u> **DEDICATED**
FEDERAL

IMPACT: State & Local

<u>Summary of Legislation:</u> This bill eliminates the Firefighting and Emergency Equipment Revolving Loan Fund (Loan Fund) and creates the Firefighting and Emergency Equipment Grant Fund (Grant Fund) administered by the Office of the State Fire Marshal.

The bill requires a grant from the Grant Fund to be used for the purchase of firefighting and emergency equipment and other incidental expenses.

It repeals the Fire Safety Equipment Revolving Loan Account (Loan Account) in the Build Indiana Fund.

It releases the obligation of a loan recipient under the Loan Fund and the Loan Account to pay the remaining balance due on the principal plus interest of a loan.

The bill transfers funds remaining in the Loan Fund to the Grant Fund.

It also transfers $500,000 per month to the Grant Fund from the Lottery and Gaming Surplus Account in the Build Indiana Fund.

The bill provides that a fire protection territory may establish a cumulative building and equipment fund.

<u>Effective Date:</u> January 1, 2002 (retroactive); July 1, 2002.

<u>Explanation of State Expenditures:</u> *Grant Fund:* This bill creates the Firefighting and Emergency Equipment Grant Fund (Grant Fund) administered by the Office of the State Fire Marshal. Administrative expenses are paid from the Grant Fund.

Grants from this fund are to be used for the purchase of firefighting and emergency equipment and other incidental expenses. Money in the Grant Fund also includes transfers of any funds remaining in the Loan Fund. As of November 8, 2001, the balance remaining in the Loan Fund was $649,851. However, the balance will also be reduced to pay for the administrative expenses of administering the Loan Fund in FY 2001.

This bill transfers $6 M annually, in monthly disbursements of $500,000, to the Grant Fund from the Lottery and Gaming Surplus Account (LGSA). This transfer would reduce by $6 M the amount available for transfer to the State and Local Capital Projects Account from what otherwise would have been available.

Background: Under the current statute, surplus lottery revenue is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, surplus lottery revenue is then distributed to the Lottery and Gaming Surplus Account within the Build Indiana Fund.

The LGSA also receives surplus gaming revenues (revenues from the Riverboat Wagering Tax, the Parimutuel Wagering Tax, and the Charity Gaming Excise Tax). A statutorily determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. (Beginning with FY 2002 and continuing each year thereafter, this amount is equal to approximately $236.2 M.) The remaining money in the LGSA is then transferred to the State and Local Capital Projects Account (SLCPA). The table below outlines the actual and estimated lottery and gaming revenue for FY 2000 to FY 2003, along with the required statutory distributions.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*

Revenues & Distributions	**FY 2000 (Actual)**	**FY 2001 (Actual)**	**FY 2002 (Projected)**	**FY 2003 (Projected)**
Surplus Lottery Revenue	$173.3	$160.0	$155.0	$155.0
TRF Transfer	($30.0)	($30.0)	($30.0)	($30.0)
PRF Transfer	($30.0)	($30.0)	($30.0)	($30.0)
Surplus Lottery Revenue to the LGSA	$113.3	$100.0	$95.0	$95.0
Surplus Gaming Revenue to the LGSA	$252.5	$268.2	$285.2	$285.2
Interest	$18.1	$26.9	$25.0	$25.0
Total Revenue to LGSA	$383.9	$395.1	$405.2	$405.2
MVETRA Transfer	($219.8)	($234.7)	($236.2)	($236.2)
SLCPA Transfer	($164.1)	($160.4)	($169.0)	($169.0)

The balance in BIF as of June 30, 2001, was $347.3 M.

This bill transfers $6 M annually, in monthly disbursements of $500,000, to the Grant Fund from the LGSA resulting in a corresponding $6M reduction in the amount available for the State and Local Capital Projects Account.

Explanation of State Revenues: *Loan Fund:* This bill eliminates the Firefighting and Emergency Equipment Revolving Loan Fund (Loan Fund) and releases the obligations of a loan recipient under the Loan Fund. **As of November 8, 2001, the total amount either disbursed or approved but not disbursed, was**

$1,684,479. This bill eliminates the repayment of those loans to the Loan Fund. However, this bill provides that the amount of the remaining balance due on the principal plus interest of a loan from the Loan Fund shall be deducted from the total grant amount allowed (from the Grant Fund) to the qualified entity.

Loan Account: This bill also forgives and releases the obligation of those communities and fire safety service providers listed in P.L. 340-1995, Section 37, to repay loans issued under the Fire Safety Equipment Revolving Loan Account within the Build Indiana Fund. This would eliminate the repayment of those loans to the Loan Account. Without the repayment of those loans, there will be less money in the Account to loan to other communities and fire safety service providers. This bill provides that the amount of the remaining balance due on the principal plus interest of a loan from the Loan Account shall be deducted from the total grant amount allowed (from the Grant Fund) to the qualified entity.

P.L. 340-1995 appropriated $3 M to the account. Almost all of the $3 M has been loaned, of which only 50% is to be repaid to the account. **As of June 30, 2001, those communities listed in P.L. 340 - 1995 had an outstanding loan balance of $580,119.** No interest is owed on these loans. This amount may change before July 1, 2000, if additional loans or repayments are made. The Loan Account is administered by the State Budget Agency.

Explanation of Local Expenditures: *Loan Fund:* This bill releases the obligation of a loan recipient from the Firefighting and Emergency Equipment Revolving Loan Fund. The volunteer fire departments that have a loan from the Loan Fund do not have to pay back the loans. The loans were made for the purpose of purchasing new or used firefighting and other emergency equipment or apparatus and legal and other incidental expenses that are directly related to acquiring the equipment or apparatus.

Loan Account: Those communities and fire safety service providers listed in P.L. 340-1995, Section 37, would not have to repay loans issued under the Fire Safety Equipment Revolving Loan Account. The loans were made for the purchase and lease of fire safety equipment, especially fire engines and necessary or useful equipment related to fire engines and fire safety.

Explanation of Local Revenues: *Cumulative Fund:* Fire protection territories are comprised of at least two contiguous taxing units where one unit provides fire protection to the other unit(s). All participating units charge the same property tax rate for fire protection.

Under current law, a municipality, township, or fire protection district may impose a cumulative building and equipment fund tax rate not to exceed $0.0333. The fund may be used to purchase or lease fire fighting and EMS equipment and to purchase, construct, or renovate buildings used for fire or EMS purposes. Municipalities may also use the fund to purchase police radios.

Because of a change in the definition of assessed value that took effect with the 2001 payable 2002 tax year, the current cumulative building and equipment fund tax rate limit changed form $0.10 to $0.0333 per $100 AV. <u>These changes do not affect final tax bills or tax levies in any way</u>. All references to AV will be expressed in the new terms for clarity.

This bill would allow fire protection territories to also levy the cumulative fund rate if the legislative bodies of all of the participating units approve the establishment of the fund. There are currently only four fire protection territories with assessed valuations totaling **$968 M**. If all four territories were to adopt the full $0.0333 tax rate, revenues would amount to about $**322,000** per year.

If a territory were to opt for the cumulative fund, then the territory would not be able to use the Equipment Replacement Fund. The maximum rate for the ERF is also $0.0333. Therefore, there should be no change in overall levy authority as a result of this provision. The actual fiscal impact would be dependent on local action.

State Agencies Affected: Office of the State Fire Marshal; State Budget Agency.

Local Agencies Affected: *Loan* Fund: Shawswick Vol. Fire Dept., Brooklyn Vol. Fire Dept., Dublin Vol.Fire Dept., Lafayette Twp. Fire Dept., Bentonville Vol. Fire Dept., Liberty Vol. Fire Dept., City of Alexandria, Wayne Twp.(Tippecanoe County), Centre Twp. Vol Fire Dept., German Twp. Vol Fire Dept., Lincoln Twp., Noble Twp., Scipio Twp., Greenville Twp., Gaston Vol. Fire Dept., Winona Lake, Boone Civil Township, Michigan Twp., Monroe Twp. Vol. Fire Dept.

Loan Account: Town of Mentone, Kosciusko County; Seymour, Jackson County; Town of Vevay, Switzerland County; North Vernon, Jennings County; Henry Township VFD - Akron, Fulton County; Swayzee VFD, Grant County; Orange Township VFD, Noble County; Sheffield Twp, Dayton, Tippecanoe County; Milan Volunteer Fire Dept., Ripley County; Clay Township VFD, Spencer, Owen County; Lake Township - Arcola VFD, Allen County; Mexico Community Fire Assoc., Miami County; Pleasant Township, Grant County; City of Jeffersonville, Clark County; Green Township VFD, Grant County; Clay County, Centerpoint & Community VFD; Monroe Twp., Clark County; Idaville VFD, White County; City of New Albany, Floyd County; Kirklin VFD, Clinton County; Center Township, Grant County; Charlestown-Oregon Twp, Clark County; Manchester Twp Vol. FD, Dearborn County; Jefferson Township, Grant County; Town of Hanover, Jefferson County; Town of Plainville, Daviess County; Lafayette Township, Floyd County; Olive Township, St. Joseph County; Converse VFD, Miami County; Rockcreek & Union Twp., Huntington and Wells Co.; City of Rushville, Rush Co; Greer Township VFD, Warrick County (Elberfeld).

Information Sources: David Dukes, State Budget Agency, (317) 232-2974; Mara Snyder, Office of the State Fire Marshal, (317) 233-5341; Paige Gilpin, State Board of Tax Commissioners, (317) 232-3777.